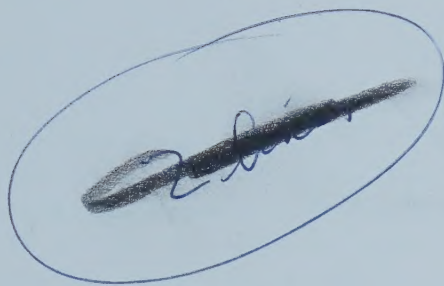


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Crusade Petroleum Corporation Limited

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1967



1967

Ninth Annual Report

To December 31, 1967

of

CRUSADE PETROLEUM CORPORATION LIMITED

(Incorporated under the Companies Act of the Province of Alberta)

AUTHORIZED CAPITAL

5,000,000 Shares without nominal or par value

Issued: 1,928,339

REGISTERED OFFICE

210 Fina Building, 736 - 8th Avenue South West
Calgary 2, Alberta, Canada

OFFICERS and DIRECTORS

Robert Clive Brown, President Calgary, Alberta
Frank Brown, Vice-President Calgary, Alberta
Archibald Park Newall, Jr., Secretary-Treasurer Calgary, Alberta

REGISTRAR

Guaranty Trust Company of Canada Calgary, Alberta

TRANSFER AGENT

Guaranty Trust Company of Canada Calgary, Alberta
Toronto, Ontario

AUDITORS

Purdy, Giles, Wyllie and Co. Calgary, Alberta

BANKERS

Royal Bank of Canada Calgary, Alberta
Centre Street and 8th Avenue Branch

LISTED

Canadian Stock Exchange Montreal, P.Q.

Report of the Directors

TO THE SHAREHOLDERS:

The Annual Report and financial statements of the Company, for the year ended December 31, 1967, are presented herewith.

CORPORATE AFFAIRS

As a result of the consolidation of offices of the Company with those of a number of associated companies in 1966, Crusade Petroleum Corporation Limited has, in addition to paying its own direct expenses, paid a proportionate share of all administrative and overhead expenses common to the group on the basis of an adjusting formula, having regard to activity and other relevant factors. Common expenses referred to include, without restriction as to the generality thereof, salaries of directors, officers and staff, general office expenses, and the cost of operating a Geological and Drafting Department and a Special Projects Department. This procedure has resulted in a more efficient operation and has enabled the Company to participate in an active and diversified mineral exploration program in co-operation with associated companies.

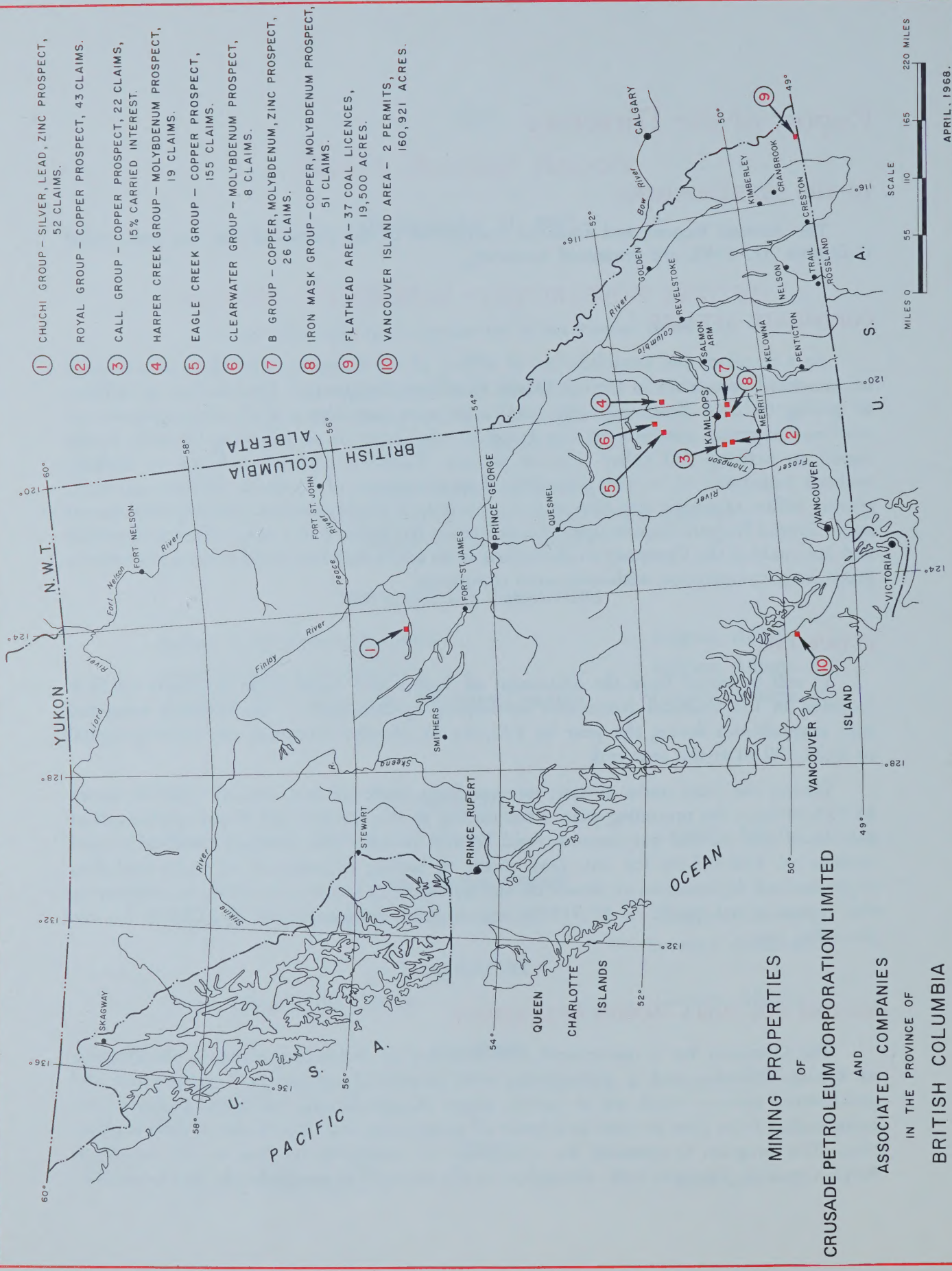
FINANCIAL

It will be noted from the Statement of Source and Application of Funds which is included in the financial statements accompanying this report, that revenues exceeded cash expenditures during the year by \$23,441.00, thereby increasing the working capital to \$129,490.00 at the year end.

During the year under review, revenue from crude oil sales was \$25,956.00, down \$5,773.00 from the preceding year. After adding to this the \$20,584.00 gain on the sale of petroleum and natural gas interests, and interest income, the Company received a total revenue of \$53,285.00 for the year. After deducting expenses of all types including depletion and depreciation as shown on the statement of income and deficit accompanying this report, a net profit of \$7,919.00 was realized, compared with \$10,078.00 for the preceding year.

BRITISH COLUMBIA MINING OPERATIONS

The Company has a one-seventh (1/7) interest in 262 mining claims in the Province of British Columbia and is participating with associated companies in geophysical and geochemical surveys which are in various stages of completion. Additional properties are being staked from time to time as a result of prospecting and other forms of field exploration. This program is operated for our group of companies by one of the associates, Royal Canadian Ventures Ltd., through an exploration office established in Kamloops, B.C.



On Vancouver Island the Company has a one-seventh (1/7) interest in approximately 161,000 acres of mineral lands which were acquired pursuant to an agreement entered into between Royal Canadian Ventures Ltd. and Canadian Pacific Oil & Gas Limited. A geo-chemical survey is now in progress over these properties for purposes of a preliminary evaluation.

The map on Page 2 of this report shows the location of the various mineral prospects in British Columbia.

SASKATCHEWAN URANIUM SURVEY

Early in 1967, Crusade Petroleum Corporation Limited and associated companies entered into an agreement with the Government of Saskatchewan, to conduct an extensive Uranium Exploration program in the Athabasca Sandstone area of Northern Saskatchewan. This is a large, relatively uninhabited area to the south and east of Lake Athabasca and Uranium City. Approximately 15,000 linear miles of traverses were flown using the Company's own aircraft with the latest and most modern Uranium detection equipment installed. The program continued throughout the summer and fall of that year and was suspended in October, 1967, when bad weather continued to make low level flying unsafe. The preliminary survey, however, was completed. New Continental Oil Company of Canada Limited was the Operator of this project.

To date, the results of the Uranium Exploration program are encouraging and support the Athabasca Sandstone theory. On November 30, 1967, New Continental Oil Company of Canada Limited on behalf of itself, Crusade and other associated companies, made application for five mineral exploration permits, totalling 960,000 acres. On December 1, 1967, the Denison group of Companies, namely, Denison Mines Ltd., Roman Corporation, and Goldray Mines Ltd., made application for five mineral exploration permits totalling 960,000 acres on trend and due northeast of those taken by New Continental and associates. Great Plains applied for one permit (192,000 acres) adjoining those of New Continental on the southeast and between New Continental and Falconbridge Nickle Mines Ltd. Mokta (Canada) Ltd. made application for three mineral exploration permits totalling 576,000 acres on the northern part of the Athabasca Sandstone area. All of these permit areas are shown on the map on Page 5 of this report. All of the permits applied for have since been granted.

At this point, we would like to make it quite clear that the mineral exploration permits referred to herein, and which were acquired by New Continental Oil Company and Associates, as well as the other companies mentioned, give the holders the right not only to prospect for Uranium but for all minerals. Exploration work being conducted in the general area by others indicates the presence of base metals; therefore, our future exploration program will be designed to evaluate the permit lands for these minerals as well as for Uranium.

Seigel Associates Limited of Toronto have been retained by the group as Consulting Geophysicists, and have been mainly responsible for interpreting the results of the survey.

JOINT MINERAL EXPLORATION PROGRAM – SASKATCHEWAN

Since December, 1967, eight additional mineral exploration permits have been applied for and issued, totalling 1,536,000 acres in the same general area as those referred to previously herein. The location of these and all permits referred to herein, and the names of the respective permittees are shown on the map on Page 5 of this report.

Crusade and Associates have recently completed a joint mineral exploration agreement with Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A., involving all of the mineral exploration permits of Crusade and Associates in the Athabasca Sandstone area of Northern Saskatchewan.

Under the terms of this Agreement:

- Gulf acquired three additional mineral exploration permits which were then pooled with the six permits held by Crusade and Associates to give a total of 1,728,000 acres of pooled permits.
- Gulf paid Crusade and Associates a cash consideration exceeding their exploration costs to date.
- Gulf replaced deposits which had been posted by Crusade and Associates with the Government of Saskatchewan to guarantee performance.
- Gulf agreed, at its sole cost and expense, to explore the permit lands for the purpose of locating economically attractive deposits of minerals. If such deposits are found to exist in the lands, Gulf shall develop the deposits, construct and operate mines, concentrators and support facilities for the purpose of producing mineral concentrates.
- Crusade and Associates as to a one-eighth interest each, retained a substantial net profits interest as follows:
 - A 10% net profits interest until Gulf recovers its investment, and
 - A 20% net profits interest thereafter.

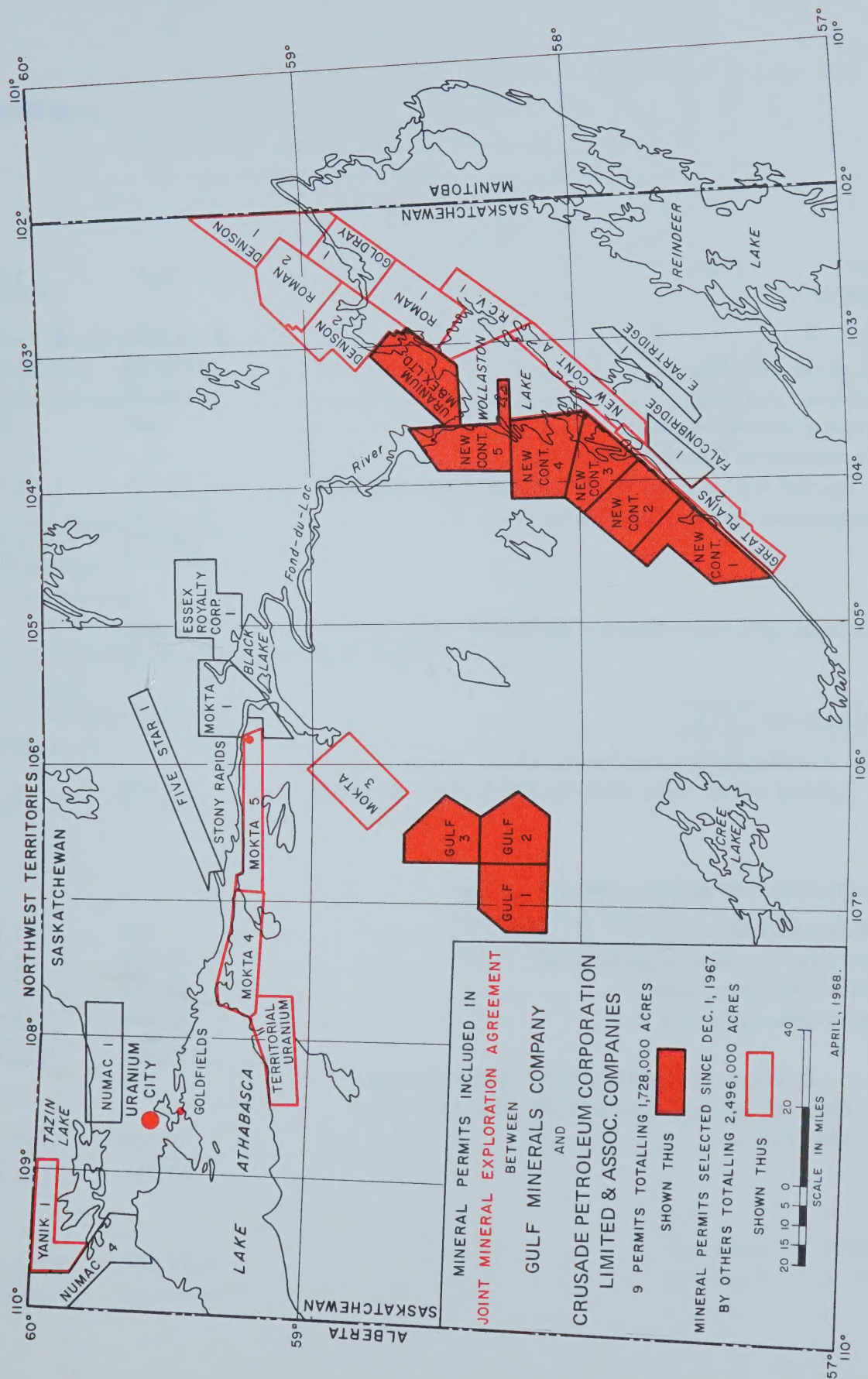
Preparations are presently being made by Gulf Minerals Company for an early start on its 1968 mineral exploration program, under the terms of the joint mineral exploration agreement.

GENERAL COMMENTS

Your Directors previously indicated their intent to participate in an active mineral exploration program in British Columbia in co-operation with associated companies. Such a program has been carried out with a measure of success, as indicated in this report. Furthermore, in order to diversify its exploration activity, the Company and its Associates have established a Special Projects Department under competent personnel, which has resulted in our participating in an airborne Uranium survey in the Province of Saskatchewan during 1967 and continuing into 1968. It is planned to continue our diversified efforts during the coming year in co-operation with associated companies, to an extent consistent with our financial resources.

Calgary, Alberta
June 5, 1968

Respectfully submitted,
On Behalf of the Board of Directors
R. CLIVE BROWN, President



as at December 31, 1967

ASSETS

	1967	1966
CURRENT		
Cash	\$ 2,846	\$ —
Short term deposits	100,000	90,000
Accounts receivable	18,930	4,865
Accrued interest receivable	247	821
Government of Canada bonds at cost (quoted market value 1967 - \$10,969; 1966 - \$12,459) .	16,125	16,125
Corporation special refundable tax	75	—
	<u>138,223</u>	<u>111,811</u>
OPERATING AND PERFORMANCE DEPOSITS	<u>17,857</u>	<u>—</u>
INVESTMENTS - at cost		
Shares of Royal Canadian Ventures Ltd. (quoted market value 1967 - \$19,250; 1966 - \$28,600) .	<u>5,775</u>	<u>5,775</u>
PROPERTY, PLANT AND EQUIPMENT - at cost		
Mining interests	486	1,097
Petroleum and natural gas interests	46,913	48,524
Well development costs	68,359	100,725
Production equipment	46,497	68,128
	<u>162,255</u>	<u>218,474</u>
Less - accumulated depletion (1967 - \$49,033; 1966 - \$59,148) and depreciation (1967 - \$25,471; 1966 - \$38,196)	74,504	97,344
	<u>87,751</u>	<u>121,130</u>
	<u><u>\$249,606</u></u>	<u><u>\$238,716</u></u>

PORATION LIMITED

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arative figures for 1966)

LIABILITIES

CURRENT	1967	1966
Bank overdraft	\$ —	\$ 3,233
Bank loan - secured	100	100
Accounts payable	8,633	2,429
	<u>8,733</u>	<u>5,762</u>

SHAREHOLDERS' EQUITY

Share Capital		
Authorized		
5,000,000 shares without nominal or par value not to exceed in the aggregate on issue \$1,250,000		
Issued		
1,928,339 shares	346,540	346,540
Deficit	105,667	113,586
	<u>240,873</u>	<u>232,954</u>

Approved on behalf of the Board:
Archibald Park Newall, Jr., Director
Robert Clive Brown, Director

<u>\$249,606</u>	<u>\$238,716</u>
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CRUSADE PETROLEUM CORPORATION LIMITED

Calgary, Alberta

STATEMENT OF INCOME AND DEFICIT

for the Year Ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
REVENUE		
Crude oil sales, less royalties	\$ 36,807	\$ 46,961
Less - production expense	<u>10,851</u>	<u>15,232</u>
	25,956	31,729
Interest	<u>6,745</u>	<u>4,795</u>
	<u>32,701</u>	<u>36,524</u>
EXPENSES		
Administrative and general (including remuneration of directors and senior officers of \$2,287)	7,688	7,872
Geological and survey expenses on petroleum and natural gas interests	4,908	3,343
Prospecting, exploration and rentals on mining interests . .	<u>25,977</u>	<u>5,943</u>
	<u>38,573</u>	<u>17,158</u>
CASH LOSS (PROFIT) FROM OPERATIONS	<u>5,872</u>	<u>(19,366)</u>
ADD		
Depletion	2,473	3,672
Depreciation	3,628	5,183
Abandonments		
Petroleum and natural gas interests	—	1,080
Mining properties	<u>692</u>	<u>650</u>
	<u>6,793</u>	<u>10,585</u>
DEDUCT		
Gain on sale of petroleum and natural gas interests	20,584	—
Gain on sale of securities	<u>—</u>	<u>1,297</u>
NET PROFIT	<u>7,919</u>	<u>10,078</u>
DEFICIT AT BEGINNING OF YEAR	113,586	123,173
ADD		
Incorporation expense written off	<u>—</u>	<u>491</u>
DEFICIT AT END OF YEAR	<u>\$105,667</u>	<u>\$113,586</u>

CRUSADE PETROLEUM CORPORATION LIMITED

Calgary, Alberta

SOURCE AND APPLICATION OF FUNDS

for the Year Ended December 31, 1967

(with comparative figures for 1966)

SOURCE OF FUNDS	1967	1966
Proceeds from sale of properties	\$ 41,881	\$ —
Proceeds from sale of securities	—	16,076
Proceeds from sale of equipment	5,815	1,339
	<u>47,696</u>	<u>17,415</u>
APPLICATION OF FUNDS		
Cash loss (profit) from operations	5,872	(19,366)
Operating and performance deposits	17,857	—
Well development costs	—	194
Mining interests	81	1,135
Production equipment	445	3,365
Purchase of securities	—	14,779
	<u>24,255</u>	<u>107</u>
INCREASE IN WORKING CAPITAL	23,441	17,308
WORKING CAPITAL, beginning of year	106,049	88,741
WORKING CAPITAL, end of year	<u>\$129,490</u>	<u>\$106,049</u>

AUDITORS' REPORT

To the Shareholders of

Crusade Petroleum Corporation Limited

We have examined the balance sheet of Crusade Petroleum Corporation Limited as at December 31, 1967 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PURDY, GILES, WYLLIE AND CO.

Chartered Accountants

Calgary, Alberta

April 22, 1968

